



## Council Communication

**TO:** HONORABLE MAYOR AND COUNCILMEMBERS

**FROM:** DAWN IRVINE, BUDGET MANAGER, 480-503-6828

**THROUGH:** MARC A. SKOCYPEC, DEPUTY TOWN MANAGER

**MEETING DATE:** OCTOBER 4, 2012

**SUBJECT:** YEAR END BUDGET ADJUSTMENTS FOR FY 2012-13

**STRATEGIC INITIATIVE:** Financial Plan

This report supports the Council's strategic initiative for a rolling five-year balanced financial plan by reconciling operating budget results for FY2012, and affording the Council with an opportunity to review and ask questions regarding those results.

**LEGAL REVIEW**

☐ Complete

☒ N/A

**FINANCIAL REVIEW**

☒ Complete

☐ N/A

### RECOMMENDED MOTION

**APPROVE THE BUDGET ADJUSTMENTS AS OUTLINED IN THE ACCOMPANYING TABLE**

### BACKGROUND/DISCUSSION

On November 5, 2011, the Council approved the Town's financial policies. These policies are essential to establishing and maintaining transparency and clarity, as well as ensuring financial, and therefore operational sustainability for the Town's future.

There were three primary factors in the FY 2011-12 budget that drove the need for end of year budget adjustments: one-time payments to employees; initial costs associated with opportunities to pay off and refinance debt; and a shift in the processes for budgeting special revenue funds.

During the fiscal year, Council approved a one-time payment to employees in lieu of an ongoing salary adjustment. There were enough vacancy savings in the Town overall to accommodate the payment, but specific General Fund departments without vacancies did not have the savings within their respective budgets. These adjustments can be accomplished by offsetting salary savings in other departments within the same fund.

Throughout the fiscal year, the Town was able to take advantage of its high-quality investment-grade bond ratings and a favorable bond market. Defeasance (paying down and/or off) and refinancing efforts resulted in a total savings over the original scheduled life of the bonds of more than \$26 million. As we refinanced, payoff amounts passed through the Town. While the net result is significant savings to the Town, we need to establish the budgetary authority for that pass through payment. Sufficient appropriation was initially set up to allow for the establishment of an improvement district if necessary. Staff recommends Council reallocate the budget authority to the respective debt service funds to establish transparency and clarity for future reporting.

Special revenue funds have specific revenue sources to offset corresponding expenses, and have historically often been programmed as available revenues came in. Under the new policy, Council action is required for any budget adjustments between funds. Staff has been addressing these special revenue funds much more proactively to ensure that budgetary authority is established in advance moving forward.

There are three other individual areas that require budget adjustments. Council approved the Arcadis contract for FY 2011-12 capital project management. Staff noted the available funding, but did not ask for the actual budget transfer at that time. The full costs of the contract are covered as part of the associated capital projects. Also in CIP, the North Oak Court Assemblage demolition was not included in the adopted budget.

Also, the Riparian Preserve had expenses in excess of the allowable budget authority. These expenses could not be offset within the Parks and Recreation Department, as the Riparian Preserve is funded from the Wastewater Fund rather than the General Fund. Unanticipated expenses included replacement of stolen copper wiring, replacement of an irrigation pump, an updated agreement with Game and Fish to stock Water Ranch Lake, purchase of an unbudgeted shade structure and observatory equipment, and utility costs. The zero-base budget process helped to establish more appropriate funding levels for utilities in FY 2012-13.

Budget Transfer	To	Amount Requested
One-Time Payments	Management & Policy	\$132,210
	Legal & Court	9,720
	Development Services	32,990
	Fire	284,280
Debt Defeasance and Refinance	WRMPC 2004	7,355,440
	PFMPC 2011 Refinance	22,647,550
	HURF 2012 Refinance	18,979,260
	Water SDF (WRMPC 2007 defeasance)	3,922,210
	Improvement District (ID) 20	311,550
Special Revenue Funds	Federal Seizure Funds	720
	State Confiscated Funds	158,950
	JCEF Restricted Fund	72,020
	Community Activities Fund	2,160
	Court Security	16,330
	PD Victim Assistance Fund	860
	Crime Prevention Unit	2,620
	Police Memorial Fund	1,100
	Court Enhancement	2,130
	CERT Program	10
	Fire Public Education	1,180
	September 11 Memorial	58,130
	Law Enforcement Officer Equipment	12,580
	Mayor's Interfaith Movement	50
	Solid Waste Containers	52,490
	PD Volunteer Support	3,920
CIP Administration	CIP Administration	46,750

Riparian Preserve	Riparian Preserve	32,460
Demolition	Downtown Redevelopment	31,660

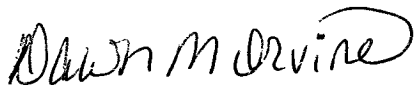
### **FINANCIAL IMPACT**

These budget adjustments will provide transparency and clarity, and will meet the requirements of the Town's financial policies. There is no financial impact beyond the establishment of budgetary authority.

### **STAFF RECOMMENDATION**

Approve the end-of-year budget adjustments for FY 2012-13 as outlined in the accompanying table.

Respectfully submitted,



Dawn M. Irvine